



“China’s Influence in the Western Hemisphere”

The Testimony of

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Before the

Subcommittee on the Western Hemisphere

Committee on International Relations

United States House of Representatives

Washington, D.C.

April 6, 2005

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China's Influence in the Western Hemisphere

Mr. Chairman, Members of the Committee, it is an honor and privilege to appear before you today to discuss the People Republic of China's influence in the Western Hemisphere.

I want to commend you for holding this very timely hearing as there are many questions being asked about China's growing role in our hemisphere that should be addressed in a prestigious, open forum such as this.

I am testifying here today as an individual, and my views do not necessarily reflect the views of my employer, The Heritage Foundation.

China's Grand Strategy

When China unleashed its unprecedented economic reforms almost 20 years ago, no one could have imagined the effect it would have on China—or the world.

Finally freed from the shackles of an inefficient Soviet-style command economy, China would experience a remarkable expansion in economic growth, including near double-digit growth for the last ten years (according to Chinese government statistics.)

These economic reforms have transformed China into a rising power in world politics. In fact, some would argue that, today, China is no longer a “rising power”—but a “risen power.”

Chinese leaders believe that if its economic growth continues apace, China will overcome 150 years of “humiliation” at the hands of foreign powers, returning to its past glory as the “Middle Kingdom.”

In China's view, eventually this economic growth will allow it to be able to challenge, the world's most powerful nations, including the United States, for control of the international system.

China is well on its way to doing just that. Today, China, the world's most populous nation, also has the world's second largest economy and the world's second largest defense budget, allowing China to play key, central roles in Asian geopolitics.

But China is also becoming an increasingly important player on the world stage. Although it has long been a permanent member of the U.N. Security Council, and a nuclear weapons state, its expanding economic might is resulting in growing political influence beyond Asia as well.

It is hard to find a major international issue in which China is not playing a role: From weapons proliferation, to human rights, to energy security, to North Korea, Iran, Sudan, and the United Nations--China is present. And Beijing is increasingly confident of its high profile role in world politics.

With increasingly well-developed power derived from economic growth, political stability, and a growing military capability, China sees its re-emergence as a global power, on its own terms, as a certainty.

If all goes according to Beijing's plans, in the next few decades China will take its "rightful place" among the great powers in the international system—if not atop the international system.

A subset of China's grand strategy is an "opportunistic" foreign policy aimed at its main competition for pre-eminence in the international system, the United States. China is pursuing a foreign policy, which aims to support China's national interests, while attempting to balance—or, perhaps, more accurately, unbalance--the predominance of the United States across the globe.

China is looking to "quietly" use its growing economic strength to build new political relationships abroad, while exploiting dissatisfaction with the United States wherever possible.

Eventually, in Beijing's estimation, once China has gathered as many allies and friends as possible, and developed its economic and military strength to near that of other major powers, it will be able to challenge the United States directly, if necessary.

Put simply: China is using its burgeoning economic power to gain political and economic influence internationally, at America's expense wherever possible, in an effort to succeed the U.S. as the world's most powerful nation.

For example, China has indicated that it would not support taking Iran to the U.N. Security Council over its nuclear (weapons) program, while signing a 25-year, \$100 billion oil/gas deal with Iran. China's decision obviously pleased Tehran.

Likewise, China also worked hard against a strong U.N. resolution on the genocide in Sudan, which would have placed economic sanction on the Sudanese government, in an effort to protect its \$3 billion oil investment there. Khartoum could not have been happier with China's support.

And the PRC has taken advantage of trans-Atlantic tensions arising from the Iraq war, too. China has seemingly convinced the European Union, led by France and Germany, to lift the E.U.'s 1989 Tiananmen Square arms embargo.

China wants absolution for the Tiananmen Square crackdown and Europe hopes that ending the ban will result in large commercial deals, and, perhaps, arms deals, for European firms. The U.S. strongly opposes lifting the ban.

Bottom line: China is pursuing a "realist" foreign policy in order to advance its national interests. The existence of dissatisfaction with Washington or American policies in global capitals only makes it easier. China's grand strategy certainly applies to Latin America and the Caribbean, too.

China's Grand Strategy in the Western Hemisphere

The importance of Latin America and the Caribbean to China is multifold, but two issues predominate: Taiwan and access to raw materials, especially energy.

Taiwan

The PRC will not feel its rise to power is complete without returning Taiwan to the Mainland's political control. Taiwan and China have been separated since the 1949 civil war, and it is Beijing's view that Taiwan is a "renegade province" that must be "re-unified" with the PRC.

To the tremendous frustration of the PRC, the Chinese view of Taiwan's sovereignty is increasingly in the minority of public opinion on Taiwan. As such, China is employing every instrument of its national power to effect unification with Taiwan, including an unwillingness to renounce the use of force to resolve Taiwan's future.

One of China's tactics is an effort to politically isolate Taiwan internationally by enticing countries that currently diplomatically recognize Taiwan to shift allegiances to the PRC. The majority of the countries that recognize Taiwan are in Latin America, Africa and the Pacific Islands.

Presently, six nations in Central America – Panama, Costa Rica, Nicaragua, El Salvador, Honduras and Guatemala - retain full diplomatic relations with Taiwan. Beginning with Chile in 1970, all but one South American state – Paraguay – have moved to recognize Beijing.

In the Caribbean, the Dominican Republic, Haiti, St. Kitts and Nevis, and St. Vincent and the Grenadines have relations with Taiwan. Dominica switched allegiances to the PRC last year.

For Taiwan, the states of Central America and the Caribbean, and Paraguay represent a relatively solid regional commitment to its status as a state separate from China. These states represent nearly half of Taiwan's diplomatic recognition around the world, now totaling 25 nations.

Taiwan pays dearly to retain this diplomatic recognition, and if these states were to switch recognition from Taipei to Beijing, the damage to Taiwan's political confidence and its claims of legitimacy as a state would be seriously undermined in Taipei's estimation.

Resources

China's other interest, not surprisingly, is access to natural resources, especially energy. China is scouring the planet for resources to feed its economy's insatiable appetite for raw materials. Since China's government is not popularly elected, its claim to legitimacy has been its ability to improve the standard of living of the 1.3 billion Chinese people.

Stoking the economic furnaces also allows China to continue its unprecedented military build-up, supported primarily by Russian arms sales, and to provide overseas aid—often without conditions-- to countries of interest in an effort to spread its influence.

China is broadly diversifying its energy sources, too. It is trying to reduce its reliance on coal, which has made China the world's second largest polluter. In its effort to ensure consistent energy supplies, China is expected to divert its overseas investments outside the Middle East to Russia, Southeast Asia (e.g., Indonesia, Burma), Central Asia (e.g., Kazakhstan, Uzbekistan), Africa (e.g., Angola, Sudan), and Latin American (e.g., Colombia, Venezuela).

Petroleum leads the list of resources South American states have to offer China. Venezuela is the world's fifth largest producer of petroleum that produces 2.5

million barrels per day, providing the United States with 13-15 percent of its oil imports.

China has invested over \$1 billion in petroleum projects in Venezuela and is positioning itself to invest nearly \$350 million to extract oil from eastern Venezuelan oil fields, as well as an additional \$60 million in natural gas wells. China is also seeking to purchase petroleum from Ecuador, Argentina, Colombia, and Mexico.

Latin America is an important source of a variety of minerals and food items as well. Aluminum, copper, iron, and soybeans constitute a large part of China's imports from Latin America. For commercial purposes, China also obviously has a strong interest in the Panama Canal and access to good port facilities in the Caribbean.

During his visits to Brazil and Argentina in November 2004, Chinese President Hu Jintao announced plans to invest \$100 billion in Latin America over the next decade, primarily for infrastructure and energy projects. These investments made by the Chinese government will undoubtedly bring political influence as well.

Military and Security Issues

China is also on a military diplomacy offensive across the globe. China has formed military diplomatic ties with 146 countries and sent military attaches to 103 countries. China uses these exchanges to gather information on the host country, as well as other countries if possible, for military doctrine development as well as military intelligence purposes.

In 2004, more than 100 military exchange programs took place, involving Chinese military leaders visiting more than 60 countries and senior officers from about 50 countries visiting China. Some exchange programs featured joint military exercises, security sessions involving military officers from multiple countries, combined seminars on defense and security, and field trips.

China has military and security interests in Latin America as well. China's presence at Signals Intelligence (SIGINT) facilities in Cuba directed at the United States is long-standing and well known, but China is establishing military ties in Latin America as well.

For example, in 2004, Defense Minister Cao Gangchuan paid a visit to Brazil. In April 2004, Vice-Chairman of the Central Military Commission Xu Caihou visited

Cuba and called on Cuban military units and training centers. Since the late 1990s, at least one high-level visit has taken place every year to Venezuela.

In addition, Chinese intelligence services are, undoubtedly, active in Latin America and the Caribbean, using Chinese front companies, students, visitors and intelligence officers to steal and exploit technology and commercial secrets of interest to enhance their military prowess and economic competitiveness.

Conclusion

China has achieved unparalleled growth in its power, influence and importance over the last 20 years. Its grand strategy is to become the pre-eminent power in the Pacific--and in the world--replacing the United States as the world's most powerful nation.

Though that point is not here today, China is making progress on both accounts. The PRC is seeking friends and allies to advance its agenda in Asia, Europe, Africa, the Middle East—and Latin America.

Like most other nations, China is committed to improving the performance of its economy and spreading its political influence. Its actions are worrisome in Latin America and the Caribbean because some national leaders, such as Venezuela's Hugo Chavez, welcome the arrival of another world power to offer an alternative to the United States.

There are challenges to China's advance in Latin America and the Caribbean, including geographic proximity, culture and language. But if Washington wants to neutralize China's growing influence in Western Hemisphere, it needs to take action.

An effective strategy would include expanding its own free trade network, helping friendly nations develop strong market economies, and fostering closer, more cooperative security relations with our Latin American and Caribbean neighbors.

Thank you, Mr. Chairman, for this opportunity to address the Committee.

Peter Brookes is a Senior Fellow for National Security Affairs and Director of the Asian Studies Center at The Heritage Foundation. He is also a weekly columnist for the *New York Post*, writing on foreign policy, national security and trade issues, and appears regularly as a commentator on national and cable news programs such as FOX, CNN, and MSNBC. Prior to joining Heritage, he served as a Deputy

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